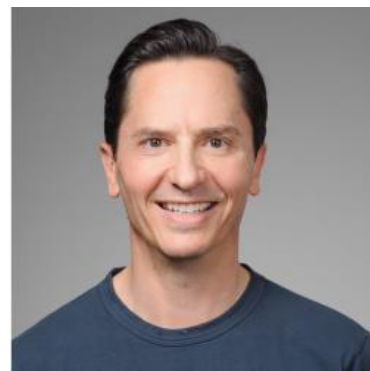


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The Day Ahead: What to Expect From The Fed Today

The Fed rate announcement is at 2pm ET. A single 25bp rate cut is fully priced in to the bond market and that cut will not be responsible for any volatility you see at 2pm. A 50bp cut is something that some people have mentioned, but not something that is worth realistically considering. 2pm volatility will primarily be a factor of the dot plot (Fed member rate expectations released in the Summary of Economic Projections). In the dots, 2025's year-end level is the most important. Since today's cut takes the FFR (Fed Funds Rate) to 4.125, the question is whether the median 2025 dot will be 3.875 or 3.625 (2 more cuts vs the 3 cuts that the market is currently pricing in with a 75% probability). It will almost certainly be one or the other. At 2:30pm, Fed Chair Powell's press conference always has the potential to add to or push back against the prevailing 2-2:30pm momentum, but typically, if the dots produce a big reaction, they matter more than Powell.



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